GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3198
ANSWERED ON:22.03.2002
IMPOSITION OF FINE BY US REGULATORS
RENUKA CHOWDHURY;SUSHIL KUMAR SAMBHAJIRAO SHINDE

Will the Minister of FINANCE be pleased to state:

(a) whether the US Federal Reserve and other US Regulators have imposed a fine of $ 7.5 million (Rs.36 cror

(e) for violations of the Bank Secrecy Act and for failure to maintain complete books and records;

(b) if so, the details thereof and the reasons for defaults; and

(c) the Union Government`s reaction thereto ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a),(b) & (c): The Regulatory Authorities in USA had conducted inspection of State Bank of India (SBI)`s New York cluster branches as on 31st March, 2001. The regulators had pointed out certain deficiencies in the systems & procedures and tools for monitoring mechanism, `Know Your Customer and Enhanced Due Deligence` procedures, especially in the areas of remittances, funds transfer and inter-office accounts. Based thereon, the US regulator issued a Cease and Desist Order as per US Banking Laws and imposed a Civil Money Penalty of US $ 7.5 million on SBIGovernment of India is in consultation with SBI in this regard and the matter is also being taken up with the US authorities through diplomatic channels.